

USAID/Tajikistan

Annual Report

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Tajikistan

Performance:

BACKGROUND: Continued U.S. involvement in neighboring Afghanistan and the ongoing war on terrorism have redefined Tajikistan's relationship with the United States. A front-line state in the war on terrorism, Tajikistan has been a reliable ally in the international effort to bring peace and economic recovery to Afghanistan, despite misgivings among the country's Muslim population. Long noted as the poorest country to gain independence from the former Soviet Union and stigmatized by its own history of conflict, Tajikistan has worked steadily to establish security and relative political stability. Over the past year, the Government of Tajikistan has moved aggressively to mobilize increased donor support while advancing needed economic and social reforms.

Tajikistan was ravaged by several years of civil war (1992-1997), and has limited resources and few transportation links to the outside world. Weak security forces and trafficking in both arms and drugs remain serious concerns for regional stability. Government structures are under-funded, and the most talented civil servants have left public service. The agricultural sector, which employs more than 60% of the population, is constrained by deteriorated irrigation infrastructure, corruption, debt, a lack of quality inputs and capital, and a poorly-executed program of land privatization. The Government has not been able to establish rule of law sufficiently or to moderate the country's corruption adequately to attract domestic and foreign investment. The situation has been made worse by the perceived inability of the Government of Tajikistan to prevent either Islamic extremists or drug traffickers based in Afghanistan from transiting Tajikistan, prompting Uzbekistan to restrict movements across their common border, effectively shutting off much of Tajikistan's international trade. In response to the country's economic crisis, increasing numbers of Tajiks are relying on labor migration or emigration to make ends meet. An estimated 600,000 Tajiks work abroad, and many male heads-of-household are leaving and not returning, placing the burden of childrearing on the women left behind.

Economic growth continued at a brisk pace of 10.2% in 2003, up from 9.1% in 2002. However, this growth does not totally reflect economic conditions, as Tajikistan has the smallest GDP of the region. According to World Bank estimates, Tajikistan's total external debt continues to grow, owed mostly to Russia, the World Bank, and Uzbekistan, and is just over \$1.05 billion but has declined to 65% of GDP. Debt servicing is expected to require one-third of total government revenues. During 2004, the Government of Tajikistan entered into a number of agreements with Russia to further reduce the debt in exchange for military base rights, investment rights, and equity positions in several hydropower projects. Total debt at the end of 2004 is expected to be \$1.124 billion. Economic conditions are further reflected by the fact that 64% of the population lives below the poverty line, with 36% living in extreme poverty. A 2003 national nutritional survey found that 4.7% of children under the age of five suffer from acute malnutrition and that 36.2% are affected by chronic malnutrition. The declining quality and increasing cost of health care are leading to a resurgence of old killers such as tuberculosis (TB) and malaria, while limiting the ability to address new threats such as HIV/AIDS and drug abuse. With regard to TB, the actual number of people infected is probably five times higher than the official figure and more deaths are occurring due to the disease. Increasing poverty and reduced state expenditures are also leading to declining school attendance, which has dropped to about 88%, and has affected girls disproportionately.

Although still an authoritarian state, Tajikistan's political system remains more pluralistic than that of other countries in the region. The six-year old political accord between the President's party and the opposition appears to be holding despite stresses, and continues to serve as a sorely needed model for pluralism in the region. As a result of the agreement, Tajikistan is the only country in Central Asia with a legally-recognized Islamic opposition party, one which also holds positions in government. However, as Tajikistan prepares for parliamentary elections in February 2005, President Rahmonov and the ruling

party are utilizing subtle and not so subtle tactics to harass and silence the opposition, illustrating that the country still has some ways to go before a democratic political culture can be said to exist. Opposition party leaders face questionable criminal charges and Cabinet reshuffles continue to diminish the role of the opposition in the government structure. While there is a flourishing civil society and a small but energetic group of private media outlets, both demonstrate a strong reluctance to engage the Government on controversial or overtly political issues. In August 2004, the tax authorities closed down the Jiyonkhon private printing press, an organization that printed three opposition newspapers.

On economic and social reforms, the Government is moving broadly to complete the transition to a market economy and improve social services. Legislative and regulatory reforms are overhauling banking supervision, tax administration, commercial law codes, and the judiciary. The Government also is moving aggressively to revamp health care financing and reorient the health structure to place greater emphasis on preventative health care. Furthermore, the Government is taking effective steps to address infectious diseases such as HIV/AIDS, TB, and malaria. In education, budgetary constraints are a major obstacle to bringing in the reforms needed to maintain Tajikistan's historically high levels of education, but efforts are being made to reform the curriculum, strengthen teacher training, and explore new mechanisms for sector financing. The USAID program in Tajikistan directly supports this reform agenda, while also funding programs that provide direct support to communities and the provision of social services.

Freedom House ratings are as follows: electoral process (5.75); civil society (5); independent media (5.75); governance (5.75); and constitutional, legislative, and judicial framework (5.75). [Note: 7 is the worst score on a scale from 1 to 7].

U.S. INTERESTS AND GOALS: Tajikistan is a frontline state in the fight against terrorism and narcotics trafficking. It is also a model for political pluralism and market reforms in a region still burdened by its Soviet past. For these reasons, the U.S. assistance program is advancing national interests by strengthening democratic culture among Tajik citizens and fostering an environment that supports private sector economic development. These mutually reinforcing objectives build more transparent and responsive public institutions and establish the legal environment needed to make the transition toward democracy and a market economy, thereby promoting stability and greater prosperity. The U.S. Departments of Defense, Agriculture, and Commerce are supporting programs in Tajikistan covering border security, emergency feeding programs delivered through the World Food Program, and business exchanges. The Department of State (through its bureaus for Democracy, Human Rights and Labor; International Narcotics and Law Enforcement; and Press and Public Diplomacy) also funds programs in support of customs, drug control, and educational exchanges.

DONOR RELATIONS: Several new donors, including Sweden and Canada, have moved to establish a permanent presence in Tajikistan during the past year, and others have substantially increased their levels of assistance. Canada has designated Tajikistan its regional focal country, and will target its assistance in the agricultural and water sectors. Sweden's assistance centers on agricultural income generation, land reform, and judicial training. Japan continues to provide assistance for infrastructure projects in the health and education sectors, and provided \$3 million for rehabilitation of the water supply system in Dushanbe. The European Commission has expanded its technical assistance programs, and supports a number of activities in southern Tajikistan through its Food Security Program and the European Community Humanitarian Office. The recent signing of the Partnership and Cooperation Agreement is expected to lead to further increases in EU assistance following its ratification by the 25 member states. The Swiss program is closely coordinated with USAID efforts, particularly in the areas of regional water programs, media support, World Trade Organization (WTO) accession, and judicial reform. Non-state donors include the Aga Khan Foundation (AKF), which supports a range of activities, including health, education, and community-based development, many of which are implemented in close partnership with USAID. Multilateral donors include the World Bank (social sector reform and private sector development); the Asian Development Bank (social services, transportation, irrigation, farm debt, and hydropower); the Islamic Development Bank (infrastructure); the Organization of Petroleum Exporting Countries (road rehabilitation); and the European Bank for Reconstruction and Development (EBRD) (upgrading of telecommunications, airport navigation systems, and small enterprise financing). USAID

continues to work closely with the Asian Development Bank and the World Bank in microfinance, irrigation rehabilitation, health care reform, and most recently, in basic education.

CHALLENGES: With peace and improved security raising hopes for the future, Tajikistan is still struggling to restructure and reorient its public and private institutions. While the country's leadership recognizes the need for fundamental reforms, the under-financed and poorly-staffed line ministries are often unable to develop or implement the changes that are needed. Efforts to reform also are hampered by strong vested interests and oligarchs embedded within the government structures. Despite improved tax collection, all levels of government lack the resources needed to adequately finance social services. The weak judicial system is unprepared to cope with the demands of a market economy and corruption is a pervasive problem that inhibits the growth of private businesses. Deteriorated infrastructure, declining social services, and a largely subsistence (and somewhat criminalized) economy further limit the potential for economic growth. Some reforms, such as land privatization, have been poorly implemented, and others, such as banking and taxes, have only just begun. In such an environment, the impact of reform will be slow, as new legal and regulatory regimes are developed and the modestly expanding economy allows only incremental increases in social sector spending.

For years the USG has implemented emergency food-aid programs implemented through the World Food Program. In 2004, USAID, through the office of Food For Peace, developed a \$60 million Development Assistance Program to reduce the "emergency" nature of the food aid program and include food as an effective tool in development programs. The future of the DAP is now in doubt with the increasing demand for food assistance in countries such as Iraq and Sudan.

Overall funding levels continue to challenge our ability to effect change, particularly at a time when there is significant Government support for reform. Declining budgets since FY 2002 have resulted in the curtailment of activities in economic reform, health, and strengthening civil society. As a result, USAID is unable to fully address the need to facilitate regional trade, realize judicial reform, and implement community programs that strengthen local government and develop an active civil society.

KEY ACHIEVEMENTS: In FY 2004, the USAID program continued to benefit from much deeper engagement with Tajik counterparts, particularly within the Ministries of Health and Education, and saw significant progress across the entire portfolio. New initiatives in banking and tax reform continues to achieve results, and the Government is showing greater focus on broader economic reform issues. Local governments in the communities of Kurga-Teppa and Kulyab have embraced new models for delivery of basic community services and have dramatically improved their budgetary processes. There is a remarkable degree of consensus in most policy reform areas and communities are increasingly taking ownership of programs at the local level. It remains to be seen if the reforms being accepted at the policy level can be sustained once implementation moves beyond the pilot phase.

IMPROVED ENVIRONMENT FOR SMALL AND MEDIUM ENTERPRISES: This strategic objective seeks to address the most binding constraints to private investment and the growth of small/medium enterprises. USAID activities are helping to modernize tax administration, strengthen banking supervision, and draft or revise commercial legislation. Work with the National Bank to bring supervisory standards closer to compliance with international norms is helping raise public confidence in the banking system, and will be critical to mobilizing domestic savings for investment. USAID-funded technical experts helped the Government draft a comprehensive microfinance law that was passed in April. USAID's partnership with EBRD to expand commercial bank lending to small and micro enterprises is starting to have a real impact. The Government continues to press on its commitment to adopt International Accounting Standards (IAS) by the end of 2005, essential to attracting foreign investment. A USAID-developed training and certification program has now recognized 122 Certified Accounting Practitioners and has established IAS-based accounting curricula in 15 colleges and universities in the country. In addition, with assistance from USAID-funded expertise in preparation for WTO accession, the Government successfully held its first WTO Working Party meeting in Geneva in March 2004, with follow-up work well underway.

STRENGTHENED DEMOCRATIC CULTURE AND INSTITUTIONS: While the overall assessment

suggests political reform in Tajikistan has reached a plateau, the past year saw some encouraging progress in the democracy sector. The Social Democratic Party was finally registered, the last major opposition party to be legally recognized, enabling it to participate in the 2005 Parliamentary elections. The success of USAID's new local government project prompted the Government to request USAID support in drafting a new local government law. Drawing on experiences in Eastern Europe and Central Asia, the USAID-funded technical assistance team helped draft two pieces of legislation that offer hope of direct elections for local governing councils. The civic education program secured strong commitment from the Ministry of Education through a Memorandum of Understanding, which provides USAID unlimited usage of the civic education textbook in schools and provides for civics education teacher training during the academic year. As a result, the program reached over 9,790 students in 138 schools. A weekly USAID-supported news program, Nabzi Zindagi (The Pulse of Life), was broadcast over 17 radio stations, reaching a potential audience of more than 1.5 million citizens.

IMPROVED MANAGEMENT OF CRITICAL NATURAL RESOURCES: Improving management of Tajikistan's significant water and energy resources is critical to the country's economy. The second phase of the Transboundary Water and Energy Program was completed in the summer of FY 2004 and brought water to an additional 6,500 hectares, serving 17,000 people. A new project was started in 2004 to create and put in place effective, viable, and sustainable irrigation Water User Associations (WUAs) in selected areas of Tajikistan. They will be given greater responsibility for operation and management of their irrigation-drainage systems. Sustainable and viable WUAs are the best hope to reduce organization and management costs and to increase productivity of land and water resources. The Central Asia Farmer-to-Farmer Program will continue to provide volunteer technical assistance to selected commodity and activity sectors and geographic areas. The Farmer-to-Farmer Program provides for 1) improved technologies and business management practices, 2) increased capacity of farmers' associations, cooperatives, and business support organizations to achieve sustainable service delivery and advocacy, and 3) strengthened rural finance systems to provide credit and other services to agricultural enterprises. Activities in this sector support the Presidential Initiatives Water for the Poor and Clean Energy.

INCREASED ACCESS TO QUALITY HEALTH CARE: USAID's efforts to speed health care reforms were boosted by the appointment of a new, forward-looking Minister of Health. Among his top priorities is working with USAID to develop new health care financing mechanisms to improve services and reduce corruption. At the same time, work to respond to immediate threats posed by malnutrition and such infectious diseases as TB, malaria, and HIV/AIDS made strong advances this past year. The successful nutrition monitoring and supplementation program in southern Tajikistan continued to track the health of tens of thousands of nutritionally-vulnerable children in southern Tajikistan, and provided supplemental feeding to children in need. This program is being complemented by a maternal and child health/reproductive health activity that will reach 330,000 women and children in the same province. Local health committees have already been established in 200 communities under this new project. The Roll-Back Malaria Program has successfully established surveillance centers in all four provinces and provided equipment and training to lab technicians to correctly diagnose malaria. The TB DOTS program was successfully expanded under a new program begun in early FY 2004. TB and malaria control, although still in early phases, have begun to build capacity and improve the fledgling health system's ability to respond. A brochure targeting prostitutes with HIV/AIDS prevention information also includes referrals to USAID's Trafficking in Persons partners, taking advantage of the opportunity for this important linkage. The USAID-funded Youth Power Centers provided at-risk youth with quality drug demand reduction services, positive social support, and healthy alternatives to heroin/opiate use. Peer education sessions show improved knowledge and risk perception regarding drugs and drug use.

IMPROVED QUALITY AND ACCESS TO BASIC EDUCATION: USAID efforts in this area focus on improving the quality of and access to basic education by developing teacher trainers at school-based training centers and in-service institutes, working with communities to prioritize education needs and come up with solutions, and building school director and education administrator management capacity. USAID is also supporting pilot activities in per capita finance to explore ways to increase efficiency in the sector. During 2004, USAID invested substantial effort in the capacity of pilot schools and pilot rural clusters located in strategic regions of Tajikistan to serve as professional training and resource centers for surrounding schools. The pilot/cluster model employed by USAID will maximize the spread of interactive

teaching methodologies and effective management practices while building ownership among schools for the process and its end results. Community involvement initiatives were well received by all stakeholders at the pilot sites, successfully promoting the school-community partnership, a concept that was largely missing under the Soviet system. USAID has a Tajikistan-specific GDA relationship with AKF to leverage the organization's long history of education programming in Gorno-Badakhshan to improve primary education and to expand programming into neighboring oblasts.

CONFLICT VULNERABILITY/MITIGATION: Tajikistan is moving away from violent conflict, although the potential for conflict remains, particularly in ethnically-diverse border regions and areas of high population density. Tajikistan is prone to conflict due to border problems, a lack of social and physical infrastructure, and the decline in economic opportunity. USAID's conflict prevention programs seek to enhance collaboration and communication between communities and local government structures, and experiment with other ways to create and strengthen participatory mechanisms within and among communities. The program targets Khatlon Province and the Ferghana and Rasht valleys, where risks of communal or religious conflicts are greatest. Over the last year, these programs have supported more than 400 community infrastructure projects and community events that address sources of resentment and potential conflict. This year, USAID awarded a new conflict prevention program specifically for Sugd Oblast and the Rasht Valley. It focuses less on infrastructure projects and more on economic development; training for youth to become leaders among their peers and a mobilizing force for community change; providing a range of services to facilitate business development for increased employment opportunities; and encouraging a stronger link between the private sector, local authorities, and citizens for problem-solving. This brought our previous infrastructure and social project focus to a new level of potential conflict prevention. Perceived levels of tension and conflict within targeted communities is less than that encountered in communities not under the USAID program and communities are better able to cope with conflicts and work together to find mutually-agreeable resolutions.

GENDER: In Tajikistan, the status of women has declined significantly since the breakup of the Soviet Union, leading USAID to consider gender as a key cross-cutting objective in its programs. Economic hardship has resulted in many women-headed households and has led to declines in girls' attendance at school. In response, USAID's programs promote increased roles for women through political party and NGO development, education reform efforts, child survival and maternal health programs, and small business development and microfinance activities that primarily serve women engaged in trade. Additionally, through the Participant Training Program, women are targeted; in FY 2004, of more than 2,500 Tajik citizens trained, approximately 40% were women.

TRADE CAPACITY BUILDING: Recognizing that cross-border trade reduces cross-border tension and promotes employment-creating growth, USAID facilitates trade between Tajikistan, the other Central Asian Republics, Russia, and Afghanistan through customs reform efforts (complemented by work being undertaken by the U.S. Customs Service), business networking across the region, and aiding Tajikistan's bid for WTO accession.

Results Framework

119-0120 Fiscal Policy and Management

119-0130 Private Enterprise Growth

119-0131 Improved Environment for the Growth of Small and Medium Enterprises

SO Level Indicator(s):

Business Environment Index

IR 1.3.1 Increased Opportunities to Acquire Business Information, Knowledge, and Skills

IR 1.3.2 More Responsive Financial Institutions, Instruments, and Markets

IR 1.3.3 Increased Implementation of Laws and Regulations

119-0160 Environmental Management

119-0161 Improved Management of Critical Natural Resources, Including Energy

SO Level Indicator(s):

Number of Demonstration Models Replicated in the Central Asia Region

IR 1.6.1 Increased Management Capacity in Natural Resource Sector

IR 1.6.2 Improved Policy and Regulatory Framework

IR 1.6.3 Sustainable Models Developed for Integrated Natural Resources Management

IR 1.6.4 Public Commitment Established for Natural Resources Management Policies

119-0210 Citizen Participation

119-0211 Strengthened Democratic Culture Among Citizens and Target Institutions

SO Level Indicator(s):

Percent of Targeted Population Exhibiting Civic Consciousness and Activism

IR 2.1.1 Stronger and More Sustainable Civic Organizations

IR 2.1.2 Increased Availability of Information on Civic Rights and Domestic Public Issues

IR 2.1.3 Enhanced Opportunities for Citizen Participation in Governance

IR 2.1.4 More Effective, Responsive, and Accountable Local Governance

119-0240 Conflict Mitigation

SO Level Indicator(s):

Communities Contribute Growing Costs Toward Projects

Number of Projects Implemented Without Donor Support

Percent of Communities Reporting Lessened Tension or Resolved Conflicts

IR 2.4.1 Strengthened Community Participation

IR 2.4.2 Improved Local Services Through Community Decisions

119-0310 Human Suffering and Negative Consequences of Crisis are Reduced

119-0320 Increased Utilization of Quality Primary Health Care for Select Populations

SO Level Indicator(s):

Number of Screenings of Children Under Five in the Target Areas with Moderate/Severe Malnutrition

Percent of New Smear Positive Pulmonary TB Cases Registered in a Specified Period that were

Successfully Treated through the Directly Observed Treatment Short-Course (DOTS) Strategy

IR 3.2.1 Select Populations are Better Informed about Personal Health Care Rights and Responsibilities

IR 3.2.2 Improved Quality of Health Care including Infectious Diseases and Maternal and Child Health

IR 3.2.3 Improved Use of Health Care Resources for Primary Health Care

IR 3.2.4 Improved Legislative, Regulatory, and Policy Framework

119-0330 Environmental Health

119-0340 Improved Quality and Access to Basic Education in Target Areas

SO Level Indicator(s):

Number of Children Benefitting from USAID Basic Education Programs

Percent of Parents Satisfied with Quality of Education in Target Areas

IR 3.4.1 Improved Quality and Access to In-Service Teacher Education in Target Areas

IR 3.4.2 Increased Parent and Community Involvement in Target Areas

IR 3.4.3 Strengthened Institutional, Management, and Technical Capacity in the Education System

119-0420 Cross-Cutting Programs